



San Juan Community Home Trust

Homebuyer Application Packet

435-C Argyle Avenue, P.O. Box 2603, Friday Harbor, WA 98250
Phone: (360) 378-5541 ~ Fax: (360) 378-3742 ~ Email: info@hometruster.org
website: www.hometruster.org

The Loan Process for the Typical SJCHT Homebuyer

Each year, Washington State publishes what is called the Area Median Income (AMI) for folks in a 4-member household in San Juan County. The government then uses a formula to determine what the equivalent income would be for households with fewer or more people as well. When you come to the Home Trust, one of the first things we do is determine your eligibility for one of our homes. We use the information on your application to fill out a spreadsheet specific to your situation, including such elements as income, number of people in your household, disabilities, child care, etc.

You are qualified if you make 80% or less of the AMI for the year in which you apply, you have good credit, are a first-time homebuyer and can be reasonably expected to continue making an income sufficient to make your monthly payments. The last portion of that statement is important: You are only allowed to spend a certain percent of your income on housing each month (29% if your income is 50% or lower of AMI; 33% if your income is between 50% and 80%); and you are only allowed to spend 41% of your income on housing plus other debt each month, regardless of your income level.

We also run a credit report for you right away to determine if you have any problems that need to be cleared up before the lender gets involved. There are often errors on credit reports that can take several months to repair, or you might have too many accounts open or overdue. We'll help you determine which items need to be taken care of and, just as importantly, which items to leave alone. A couple of red flags: You can't apply for a loan if you filed bankruptcy within the last 3 years or if you are delinquent on student loans. (OUCH!)

Our homebuyers typically (but not *always*) have three different lending partners involved in getting together the money to purchase their home: the USDA; San Juan County and Home\$tart.

The USDA is the United States Department of Agriculture, a federal agency dedicated to ensuring economic viability in rural areas. They have two types of loans available to San Juan County residents: One in which they provide 100% of the sale; One in which they provide 85%. If you use the 100% loan program, you will be put on a waiting list--the 85% loans get first priority. Either way, you are responsible for paying back to them the amount you've borrowed (called Principal), plus a percent (called Interest) payable in equal monthly payments over a 38-year period (called Term.) Interest rates may or may not be lower than a traditional lender's rates with these loans--lately, they've been the best deal going. One main advantage with the USDA program is that, in case of temporary disability, illness or unemployment, they *MAY* be willing to allow you to not pay any mortgage payments for up to two years! (But interest still accrues on your unpaid balance, and your 38-year repayment term increases by the number of months of nonpayment.)

If you use the USDA 85% program, you will probably use the San Juan County Revolving Loan Fund for the other 15% of the sale price. You don't need to pay this money back until you sell the house, so your monthly payments are lower than they would be otherwise. Also, no interest is charged on the money you've borrowed, unlike the USDA loans. This program can lend up to \$50,000 per home, until the county funds run out.

The third partner in our typical home-buying scenario is the Seattle Federal Home Loan Bank, with Islanders Bank acting as their local agent. In return for you depositing \$1,667 in a Home\$tart savings account (which Carrie Brooks will help you set up) the Home\$tart program donates \$3,333 for a total of \$5,000 towards your closing costs (which are running somewhere between \$5,000 and \$6,000.) This money is essentially a grant—as long as you sell the house to another qualified buyer (which you have to do, anyway) you don't owe the money back at all! Once again, the funds for this program may or may not be available at the time of your loan.

Homebuyer Application Process

I. ELIGIBILITY

If you are eligible to purchase a San Juan Community Home Trust home (see eligibility requirement), or have a realistic plan for becoming eligible, you're ready to complete the criteria listed below in order to qualify. If you currently do not qualify because of debt or some other issue, you may submit with your application a plan for reducing your debt or resolving the issue. The Home Trust representative will review your plan, and, if it appears feasible, will incorporate your plan into your Commitment Agreement with the Home Trust. As long as you meet the goals established in your commitment agreement, you will remain on the waiting list.

II. PRE-QUALIFICATION

1. **Preliminary Interview with San Juan Community Home Trust:** Meet with a representative of the Home Trust for an interview. The representative will introduce you to Home Trust's mission and the community land trust model of home ownership. We will also review your financial information and the qualification process. This is also the time to take a look at your mortgage readiness and answer any questions you may have.
2. **Complete an Application and submit it to the Home Trust** You must submit a **complete** application. We can help you fill this out. No application fee is due at this time.
3. **Obtain a Credit Report:** You must obtain a credit report including your FICO score. We will help you obtain one for \$20 or \$25. We'll then meet to review your report and discuss any credit issues you need to resolve in order to join our waiting list.
4. **Orientation Session:** Attend an orientation meeting and/or watch the orientation video. Orientation sessions introduce you to more of the nuts and bolts of living in a land trust community. Each homeowner is restricted in their use of the land by the ground lease agreement, and each community is guided by "Conditions, Covenants and Restrictions" (CC&Rs). We'll talk about these aspects and discuss any questions you have.
5. **Review a copy of sample CC&Rs:** Each community land trust neighborhood is unique. Consequently, it is the residents themselves who decide what rules and restrictions will guide their neighborhood. It is therefore important to take some time to review the CC&Rs to get an idea of what your neighborhood will feel like.
6. **Provide any additional application information & join the Home Trust:** If you want to be on our waiting list, it is time to make sure your application is complete, pay your \$30 application fee and join the Home Trust (\$30). Once you qualify, you must maintain your membership to keep your position on the waiting list.
7. **Attend Neighborhood Meetings:** You are required to attend at least two neighborhood meetings of either a current neighborhood or a neighborhood in development which meet to discuss such issues as planning the CC&Rs.
8. **Complete the Washington State Housing Finance Commission Homebuyer Education Seminar**

III. COMMITMENT AGREEMENT

If you qualify to apply for a San Juan Community Home Trust home, the next step to homeownership is to complete a Commitment Agreement with the Home Trust. The Commitment Agreement defines the actions you agree to take in order to remain on the waiting list, and the actions that the Home Trust agrees to take in order to provide you with a home to purchase. If you fail to meet the commitments defined, you will lose your place on the waiting list.

IV. MORTGAGE APPLICATION

If you meet all the conditions of your Commitment Agreement and have signed a purchase agreement, you will submit a mortgage application to a private lender or USDA Rural Development. They will request more detailed information such as employment verification and a more thorough credit report, and they will make the final determination about your financial qualification. If they determine that you are ineligible, your commitment fee paid to the Home Trust will be refunded.

Homebuyer Eligibility Requirements

1. **Minimum 3 year residency:** You must have lived in San Juan County for at least three years. These do not need to have been the last three consecutive years, but you must be able to demonstrate the ability to make a living in the islands. If there is no waiting list, this minimum may decrease to two years.
2. **Income:** Your household must have a total income that is enough to pay the monthly mortgage, taxes and insurance. To be eligible for a **subsidized** home, the total annual income for your household must be less than 80% of Area Median Income for your household's size. You may be eligible for a **non-subsidized** Home Trust home if you earn between 80 and 12-% AMI. Below are the **2010** maximum gross incomes by household size for a **subsidized** home:

Number of People in Your Household				
1	2	3	4	5
\$38,050	\$43,450	\$48,900	\$54,300	\$58,650

3. **Credit Rating:** You must have a good credit rating showing no significant delinquencies in the past year and no bankruptcy in the past three years. We will run a preliminary report for you to see if there are any areas needing attention. The mortgage lender will run their own report when we submit the mortgage application to them.
4. **Debt:** At the time you apply for a mortgage your total debt (including the cost of your house) may not exceed 41% of your income (depending on your annual income and the type of mortgage for which you qualify). Debt includes any long-term obligations (a repayment period of more than 6 months). Examples of debt include (but are not limited to) car and student loans, child support payments, and credit cards. A Home Trust representative can help you determine your debt to income ratio during your initial screening interview. The ratio of your mortgage debt to your monthly income must be less than 29% if your income is very low, or 33% otherwise.
5. **Employment or other income:** You must have proof of steady employment or income for at least one year. Sources of income include all wages, overtime and tips; interest and dividends; social security, annuities, pensions; unemployment, disability and severance compensation; alimony and child support; and most forms of public assistance. Self-employed individuals must demonstrate proof of earnings with tax returns for the past two fiscal years.
6. **Assets:** If you have assets valued at more than \$10,000, you may be required to use them towards your down payment. Assets include such things as a savings account, real estate, a mobile home, recreational vehicles, boats, art collections, or similar items. **Household possessions, cars, and Individual Retirement Accounts (IRAs) or pensions are not included in your asset calculation.**

If you are not eligible, how could you become eligible?

The most frequent reason for ineligibility is too much debt. If you meet all other eligibility and pre-qualification requirements, but think you might have too much debt, we encourage you to come in and talk with us. We will be happy to review your financial situation with you and assist with budget planning and other steps that will help you work towards eligibility.

If you currently own a home, you must sell it prior to applying with a lender for a Home Trust mortgage. You will be limited in the amount of cash you can retain without contributing to the down payment. Some of our buyers, with sufficient cash but little income, have bought their homes outright, with no or very little mortgage.

If your household's total income is greater than 80% of area median income (see the amounts in Number 2 above), you may still be eligible for a non-subsidized home, if any are available. Please call 378-5541 to make an appointment to review your individual circumstances.

Fee Schedule for Prospective Homebuyers

Home Trust Annual Membership: Non-refundable

- \$30.00 per household per year

Helps support San Juan Community Home Trust operations.

Credit Report Cost: Non-refundable

- \$20 - \$25 Initial Credit Report (required by Home Trust)
- \$25 - \$75 Residential Mortgage Credit Report (required by lender)

Pays for the credit report. Will need two for purchase--One for initial screening, one for lender's final qualifying.

Application Fee Non-refundable

- \$30 Application fee per household
- Applied toward closing costs for SHOP recipients

Helps support Home Trust staff time to process your application.

Commitment Fee: Refundable only if applicant does not qualify for a mortgage

- \$200
- Due upon signing a Commitment Agreement with the Home Trust
- Applied toward closing costs for SHOP recipients

Establishes commitment relationship.

Earnest Money:

- \$250
- Due to the escrow company upon signing a purchase agreement

Applied to down payment or closing costs upon closing

San Juan County Revolving Loan Application Fee : Refundable only if applicant does not qualify for a mortgage

- \$100
- Due upon applying, if needed
- Up to \$50,000 for a 2nd mortgage with SJC to reduce monthly mortgage payments

Helps support SJC Revolving Loan Fund program.

Closing Costs and Mortgage Application Fees (approximate only):

Paid to the escrow agent at closing for distribution to proper party

*(Most of our buyers open a Home\$tart account with \$1666 at Islanders Bank to get a \$5000 2nd for closing costs)**

- \$500 - \$600 Appraisal (*expert's opinion of the value of the home prior to purchase*)
- \$450 to \$500 Home Inspection (*expert's opinion on the condition of the home prior to purchase*)
- \$350 Escrow fees
- \$375 Title Insurance
- \$350 recording fees
- \$100 partial payment for first year's property insurance
- \$600 partial payment of first year's property taxes
- \$200 miscellaneous other closing costs such as tax service fees to lender (if applicable)
- 1% Real Estate excise tax
- 1% San Juan Community Home Trust administrative processing fee
- 1% Mortgage processing fee to lender (if applicable)

*Note: The specific amount of these fees will depend on the actual sale price of your home. Usually, the above fees are included in the total mortgage loan. If not, they must be paid in cash at closing. *Closing costs have been running around \$6,000 total.*

STEP ONE: Eligibility

- _____ Lived in San Juan County for 3 years or 2 years if there is no waiting list
- _____ Income within guidelines and adequate for desired mortgage
- _____ Paid \$20 or \$25 credit report fee and credit history OK
- _____ Debt to income ratio within acceptable limits (<41% of monthly income)
- _____ Proof of steady employment/income for 1-2 years
- _____ Total value of your assets? _____

Are you willing to use any non-retirement assets towards your down payment? _____

STEP TWO: Pre-qualifying

- _____ Submitted **complete** homeowner application to San Juan Community Home Trust (Date _____)
- _____ Met with Home Trust Representative (Date _____)
- _____ Credit report obtained (Date _____)
- _____ Attended orientation session /saw video (Date _____)
- _____ Reviewed CCR's and Master Ground Lease (Date _____)

STEP THREE: Qualifying

- _____ Submitted Additional Application Information and \$30 application fee (Check # _____)
- _____ Joined the Home Trust (\$30 or work swap: _____)
- _____ Mortgage pre-application meeting with Home Trust (Who _____ When _____)
- _____ Attended at least two meetings of neighborhood group, and indicated a willingness to continue to attend monthly meetings (1st _____; 2nd _____)
- _____ Completed approved Homebuyer Education Workshop (Date completed _____)
- _____ Signed Commitment Agreement with the Home Trust and paid \$200 fee: (Date _____ Check # _____)
- _____ Created Home\$tart Account at Islanders Bank with Carrie Brooks (Date full \$1,667 deposited _____)

YOU'VE JOINED THE WAITING LIST!!! (Date _____)

Now that you're on the waiting list, you're eligible to purchase a Home Trust home. As homes become available, either through a resale or new construction, the opportunity to purchase will be offered to each person on the waiting list, in chronological order, until an eligible buyer commits to the purchase. You are in no way obligated to say "yes" if it is not the right home or the right time for you, and you will continue to remain on the waiting list. If it is the house for you, however, you'll sign a purchase and sale agreement and begin the mortgage application process. Please refer to your mortgage checklist for more information.

Confidential Homebuyer Application

Date received at the Home Trust: _____; by: _____

Applicant Information		
Name of applicant: _____	Name of co-applicant: _____	
Social Security Number: _____ DOB: _____ Work Phone: _____ E-mail: _____	Social Security Number: _____ DOB: _____ Work Phone: _____ E-mail: _____	
Street Address: _____ Mailing Address: _____ Number of people in household: _____		
Home Phone: _____		
U.S. Citizen: Yes <input type="checkbox"/> No <input type="checkbox"/>	U.S. Citizen: Yes <input type="checkbox"/> No <input type="checkbox"/>	
If you are not a U.S. Citizen, please explain:	If you are not a U.S. Citizen, please explain:	
Name of each member of household:	Date of birth:	
1.		
2.		
3.		
4.		
5.		
6.		
7.		
References		
Please list at least 3 references – at least one landlord & two employers or supervisors of volunteer work:		
	Name/Affiliation/Time Known	Phone number:
Landlord:	1.	
Employers:	2.	
	3.	
Other	4.	
	5.	

Eligibility Information

List your total estimated income from last year and your total projected income for this year. Include total gross income (before taxes) such as wages, tips, social security, interest, alimony, child support, disability, unemployment, etc. Self-employment income should reflect line 12 of your 1040 – income after business related deductions.

	Income source/employer:	Last year	Current year (Projected)
Applicant:			
Co-applicant:			
Totals:		\$	\$

How much debt do you pay each month? Please provide estimates for items such as car loans, student loans, child support, credit cards, and personal debts. For credit cards, the “monthly amount” is the minimum balance due.

	Debt owed to:	Balance due:	Monthly amount paid:
Applicant:			
Co-applicant:			
Totals:		\$	\$

Do you own assets with a total value greater than \$10,000? ___ Yes ___ No (Assets include cash, savings, land, mobile homes, recreational or vintage vehicles, personal art collections, etc. Do not include household and work-related possessions or tools, or IRA's) If yes, what is the approximate value of those assets? \$ _____

Do you anticipate being able to pay a down payment? If so, how much? \$ _____

How long have you lived in San Juan County?

Applicant: _____ Co-applicant _____

Please describe your current living situation below:

How many bedrooms: _____ Bathrooms? _____

How long have you lived at this residence? _____

Do you have a year-round lease? _____ Are you at risk of being displaced? Please explain: _____

Would you describe your situation as: Very good _____ Adequate _____ Poor _____

Do you have standard plumbing? _____ Standard electricity? _____ Insulation? _____

How much do you pay each month in: Rent: _____ Heat: _____ Other utilities: _____

Credit Request Authorization

Borrower's legal name: _____

I give my permission for the **San Juan Community Home Trust** or **OPAL** to run a credit check on me.

My social security number is: _____.

My Date of Birth is: _____.

Street Address: _____.

Mailing Address: _____
Friday Harbor, WA 98250

Signature

Date

Co-Borrower's legal name: _____

I give my permission for the **San Juan Community Home Trust** or **OPAL** to run a credit check on me.

My social security number is: _____.

My Date of Birth is: _____.

Signature

Date

About Your Community Land Trust Commitment

Living in a community land trust neighborhood is different from renting or owning a home in a typical neighborhood. Your participation is important for the smooth operation of the neighborhood. You and your neighbors share responsibility for maintaining common lands, and for abiding by the Conditions, Covenants and Restrictions (CC&Rs). Managing these shared responsibilities involves cooperation and a commitment to the group decision-making process. Please answer the following questions, using the back of this page if needed.

1. What do you and your family like about the possibility of living in a Home Trust home?

2. What are your concerns or reservations about living in a Home Trust home?

3. What is your present understanding of the community land trust model for owning a home?

4. Please circle any skills you would be willing to offer as part of a work exchange:

Accounting	Bookkeeping	Brush removal	Carpentry	Child care
Clerical	Cooking/baking	Data Entry	Gardening/weeding	
Landscaping	Minor repairs	Party/event planning or hosting		Other: Please Explain:

5. Do you have any special needs, limitations or disability? Please describe:

6. Any other questions, ideas or comments?